Blueprint for doing better

Royal Bank of Canada
2007 Corporate Responsibility Review
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Royal Bank of Canada
Public Accountability Statement

All federally regulated financial institutions in Canada with equity greater than $1 billion are required to issue an annual Public Accountability Statement (PAS) for clients and other interested stakeholders, to outline their contribution to the Canadian economy and to Canadian society. RBC has combined our 2007 PAS with our 2007 Corporate Responsibility Report, and this Report is available at rbc.com/responsibility and rbc.com/pas. Print copies may be ordered using the contact information on the outside back cover of this Review. Some elements of our 2007 PAS are repeated in this Review.

Awards

A company’s reputation is built in part by what people say about it. We were privileged to have received these honours, among others, in 2007.

Brand and culture
• Canada's Most Valuable Brand (U.K.-based Brand Finance study, released in Canadian Business).
• First Canadian company to be named to the Top 100 Most Powerful Brands list (BrandZ/Millward Brown Optimor).
• Ranked fourth in Canada's Most Admired Corporate Cultures of 2007 (Waterstone Human Capital/Canadian Business).

Corporate responsibility/sustainability
• Named to the 2007/2008 Dow Jones Sustainability World Index and Dow Jones Sustainability North America Index recognizing financial, social and environmental leaders.
• Included in the Jantzi Social Index, recognizing 60 Canadian companies that pass a set of social and environmental screens.
• Included in the FTSE4Good Index, recognizing companies that meet globally recognized standards for environmental sustainability, stakeholder relations and human rights.
• Included in the Ethibel Pioneer Global Index, used by European fund managers and institutional investors to recognize companies that have played a pioneering role in terms of sustainability.
• Ranked number one in Canada's 50 Best Corporate Citizens 2007 list (Corporate Knights).
• Named one of the Global 100 Most Sustainable Corporations 2007 (Innovest/Corporate Knights, BusinessWeek), recognizing companies that have proven their ability to manage strategic opportunities in new environmental and social markets.

Environmental sustainability
• Ranked first in a list of the 100 companies worldwide that are considered most capable of adapting to the risks and opportunities presented by climate change, relative to their peers (Newsweek International online).
• Ranked first in Canada, second in North America and tied for fifth place globally among financial institutions on the Climate Disclosure Leadership Index 2007, a prestigious honour roll of world leaders that understand and manage the financial risks and opportunities resulting from climate change, based on RBC’s submission to the Carbon Disclosure Project.

Governance

Diversity
• Ranked second on the 2007 Corporate Knights Leadership Diversity Index, recognizing Canadian companies with representation of visible minorities and females at the board and executive levels.

Privacy
• Ranked third in the annual Canada's Most Trusted Companies for Privacy study (Carlson Marketing Worldwide and the Ponemon Institute), ranking public perception of companies’ privacy and data security practices.

RBC is involved with a number of leading organizations around the world to steward corporate responsibility. For a list of these, visit rbc.com/responsibility/approach.
2007 was a watershed year for corporate responsibility at RBC. We developed the RBC Blueprint for Doing Better®, our new corporate responsibility strategy and framework, and established two focus areas: diversity and the environment. We were the first Canadian bank to launch our own mutual funds for socially responsible investors and introduced environmentally sustainable product options for retail consumers. We received a record number of awards for our corporate responsibility efforts. At the same time, we continued to deliver strong returns to our shareholders, and were rewarded with increased business from our clients.

This is sustainability in action: when a company manages financial, social, environmental and ethical performance today in order to ensure continued success tomorrow.

When it comes to corporate responsibility, companies are often expected to be everything to everyone. For a company like RBC, with more than 15 million clients in 38 countries and more than 70,000 employees worldwide, managing diverse stakeholder expectations can be a challenge. Over the last few years, our stakeholders have grown in number and influence and we have seen increased expectations and attention regarding corporate sustainability and reporting across all industries.

That’s why we developed a new strategic approach for corporate responsibility in 2007: a focused set of priorities to ensure that we are appropriately managing our programs and initiatives under the corporate responsibility banner. You can read about our approach on pages 2 and 3.

We are not only in the digital age, but in an era where we must use the planet’s resources wisely. This year, our sustainability reporting continues its migration online. While our full 2007 Corporate Responsibility Report and Public Accountability Statement is available in electronic format at rbc.com/responsibility, we are publishing this shorter Corporate Responsibility Review in print, as a summary of the full Report.

I invite you to read this Review, download our full 2007 Report or visit rbc.com all year long for additional details. Please tell us how we can continue to do better by using the contact information provided on the outside back cover.

Gordon M. Nixon
President and Chief Executive Officer
Corporate responsibility at RBC

At RBC, we believe our first duty is to operate with integrity at all times so we can ensure the present and future well-being of our stakeholders. We strive to have a positive economic, environmental and social impact, providing responsible leadership in the marketplace, the workplace and in the communities where we live and work.

Charting a new course
At our 2006 Annual Meeting of Shareholders, we announced that we were developing a new strategic approach for corporate responsibility. Our goals were to establish a focused set of priorities and ensure that we are appropriately managing the wide range of initiatives that fall under the corporate responsibility banner.

In 2007 a team from across RBC took on this challenge, guided by Roger Martin, Dean of the Rotman School of Management, and his colleagues from the AIC Institute for Corporate Citizenship (University of Toronto).

We started with a full assessment of RBC’s global business strategy. Then we mapped out stakeholder interests and concerns, as identified directly by our stakeholders, and by benchmarking the practices of leading financial institutions and other industry leaders worldwide. We reviewed and prioritized current and emerging issue areas.

In general, key issues for financial services companies are considered to include governance, business ethics, marketplace practices such as fraud prevention and privacy, access to basic banking services and credit, community economic development, employment equity, treatment of employees and environmental sustainability. Unlike some industries, we are also expected to take responsibility, in some measure, for the actions of our clients, especially those to whom we provide credit. For the last few years, RBC has regularly reported on these areas in our annual Corporate Responsibility Reports.

After further evaluation, we developed an overall framework, vision and direction for managing and prioritizing the diverse elements that comprise corporate responsibility, and dubbed the plan our RBC Blueprint for Doing Better.
Why the environment matters to RBC

Financial services companies aren’t considered high-impact when it comes to the environment, but many of our clients are. So, as their bank, we have an indirect impact through our lending and investment activities. Like many companies, we must also manage our own footprint responsibly and know that we can have an impact through how we purchase goods and services as well.

RBC had one of the first environmental policies of any Canadian financial institution – written back in 1992. Over the years, we continued to evolve our approach, and in 2007 it was clear that the environment was now firmly on the radar screen for our stakeholders, including retail consumers, investors and employees.

Our approach

In 2007, we unveiled the RBC Environmental Blueprint, a strategy that built on our strong history, with a new vision of how we will move forward with issues like climate change, biodiversity, forests and water. The RBC Environmental Blueprint lays out our three priorities:

• To reduce the intensity of our environmental footprint
• To promote environmentally responsible business activities
• To offer environmental products and services.

We’ve identified some of the programs and initiatives that are included in the RBC Environmental Blueprint throughout this Review. You can read more about the RBC Environmental Blueprint on pages 8 and 9, and online at rbc.com/environment.

Why diversity matters to RBC

Diversity is a “big idea” in business and society as a source of innovation, leading to the generation of new ideas, products and services. Diversity can be a competitive advantage not only when it comes to developing intellectual capital, but also for ensuring the growth of companies and countries.

Of our millions of clients in Canada, the percentage of new Canadians and visible minorities is growing – and we expect much of our future growth to come from these markets.

Financial services companies like RBC depend on intellectual capital, and no asset is more significant than people. There is a global war for talent, and nowhere is this more evident than in our home market. The Canadian workforce is aging, the birth rate has hit a record low, and the country’s labour force will stop growing in about 10 years. At RBC, we believe we must be an employer of choice for new employees by leveraging the diversity of our current and future workforce.

Our approach

RBC is considered a leader in diversity. For example, we have extensive experience with programs and initiatives related to women, visible minorities, people with disabilities and Aboriginal Peoples. We will build on this history when we release the RBC Diversity Blueprint in 2008, as a comprehensive statement of our global strategy and priorities, and a guide for doing better in the future. It will cover the following areas:

• Workforce diversity
• Client programs and services
• Supplier management
• Thought leadership through grassroots partnerships, research and co-operative initiatives.

We’ve identified some of the programs and initiatives that will be included in the RBC Diversity Blueprint throughout this Review. You can read more about RBC’s current diversity efforts online at rbc.com/responsibility/workplace.
It’s been said that corporate responsibility isn’t so much about how a company spends its money, but how a company makes its money. Our first duty is to operate with integrity for our clients, earning their trust in every transaction, in every part of our business.

Priorities
Our priorities for the marketplace include ensuring that we:
• Develop and provide financial products and services in a responsible manner
• Provide access to basic banking services
• Protect and educate consumers about financial matters.

2007 Performance highlights
• Introduced a number of low-carbon banking options for consumers.
• Became the first bank to offer Canadian investors the option of socially responsible investing.
• Launched a new Phishing Resource Centre to help protect against online threats.
• Upgraded most of our retail and branch banking machines (ATMs) with anti-skimming devices, deterring would-be criminals from placing fraudulent skimming devices over the ATM card slot.

Product responsibility
RBC ensures that all the products and services we develop for our clients align with our vision and values, and are guided by our comprehensive Code of Conduct.

Low-carbon banking for consumers
One of our priorities is to provide products and services that help our clients mitigate their environmental impact. This includes online banking, and electronic statements and bill payment. In Canada, RBC introduced new financial options and incentives for our environmentally conscious clients in 2007, including incentives to switch off paper statements, have a home energy audit, buy a lower-emission car, and switch to green power. We encourage our clients to use electronic solutions that replace the carbon-intense activities involved in retail banking such as travel and paper.

Socially responsible investing (SRI)
Increasingly, investors are becoming interested in putting their money where their values are. In 2007, RBC became the first major Canadian bank to offer investors this option, with the launch of the RBC Jantzi Funds, three funds that are screened for environmental, social and governance factors. Clients in Canada and the U.S. also have access to other SRI funds through our network of advisors.

Responsible lending
RBC provides credit and banking services to companies in many industries. Our policies cover areas of concern, including environmental issues. For instance, RBC will not support or finance transactions that are directly related to trade in, or manufacturing of, material for nuclear, chemical and biological warfare, or landmines. RBC has a number of anti-corruption policies which require us to apply appropriate scrutiny and monitoring measures to high-risk clients whose business activities are known to be susceptible to criminal activity or have been designated as high-risk for money-laundering.

Access to banking
Reaching out to clients 24/7
RBC has the largest branch and ATM network in Canada, and we are investing in growth. We opened 34 new bank branches/facilities in 2007 and expect to open as many as 35 more in 2008. We also opened 12 insurance outlets in 2007 with 50 more planned over the next three years. In the United States, RBC Centura has 350 banking centres and 390 ATMs serving the Southeast. In 2007, we opened nine new branches, acquired 39 AmSouth branches in Alabama and added 17 branches in Georgia when we acquired Flag Financial Corporation.

Banking network in Canada

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Branches</td>
<td>1,146</td>
<td>1,117</td>
<td>1,104</td>
</tr>
<tr>
<td>ATMs</td>
<td>3,946</td>
<td>3,847</td>
<td>3,906</td>
</tr>
</tbody>
</table>

Account opening
RBC is committed to ensuring the process of opening an account is as straightforward as possible while still meeting regulatory requirements. In plain language and available in multiple languages, our documents clearly outline the requirements to open an account and meet our verification of funds policy.
RBC ranked among the most trusted companies for privacy in Canada in Ponemon Institute’s 2007 survey.

Low-income and underserved clients
RBC is committed to providing banking access to low-income and previously underserved clients through initiatives like our low-cost Canadian deposit account, a no-down-payment mortgage and other affordable mortgage options.

Seniors
RBC is sensitive to the specific banking needs and concerns of the growing population of seniors. In Canada, we offer specialized deposit and insurance options for seniors, including free banking and monthly rebates on bank accounts.

Students and youth
RBC offers a variety of banking and credit products tailored to meet young people’s needs. We also offer scholarships, online information exchange and peer mentoring forums.

People with disabilities
For clients with special needs, our goal is to ensure equal access to premises and services. RBC has a strong record of making accessibility improvements and involving our clients and other stakeholders in the process. Approximately 90 per cent of RBC bank branches are wheelchair accessible. In 2007, clients had access to 600 “talking” bank machines across Canada and more than 800 machines are ergonomically designed so that people in wheelchairs have easier access.

Aboriginal communities
In addition to eight Canadian branches located on reserves and six branches “North of 60,” RBC has established six agency banking outlets with aboriginal communities in Alberta, Saskatchewan, British Columbia, Manitoba and Ontario, enabling remote areas to access financial services using RBC systems and infrastructure. In 2008, we plan to open another agency in Saskatchewan.

Newcomers to Canada
RBC wants to be the financial institution of choice for newcomers to Canada. For example, our Secured Visa option has already helped thousands of newcomers begin building a credit history in Canada, and our Equity Mortgage Program has enabled more newcomers to buy homes.

Consumer protection
Privacy and information security
RBC is dedicated to safeguarding the privacy and confidentiality of personal, business, financial and other information. In fact, it is one of our highest priorities and remains a cornerstone of our commitment to our clients, employees and other stakeholders. We have had a formal Privacy Code since 1991, overseen by our Chief Privacy Officer, and we use vigorous security safeguards and internal controls to ensure the privacy and security of information entrusted to us.

Fraud prevention
RBC has stringent security policies and practices, backed up by around-the-clock resources to prevent, detect and investigate potential fraud. Online security is a priority, and our security guarantees help protect online banking and self-directed brokerage clients from unauthorized transactions. In 2007, we centralized our claims process for unauthorized transactions, resulting in quicker reimbursement to clients. We upgraded most of our retail and branch lobby ATMs with anti-skimming devices in 2007. These devices deter would-be criminals from placing fraudulent skimming devices over the ATM card slot. We have developed a number of fraud-education initiatives including tips and alerts, brochures and client presentations.

Voluntary codes of conduct
The Canadian banking industry has developed a number of voluntary commitments and codes to protect consumers, to which RBC has committed. These are listed at rbc.com/voluntary-codes-public-commitments.

Client complaint process
Our formal process for handling client concerns is outlined on our website and in our Straight Talk® brochures. If clients believe an issue to be unresolved following receipt of a response from the RBC representative dealing with their concern, they may appeal to the Office of the Ombudsman, which examines decisions made by RBC companies and reviews their compliance with proper business procedures. The Ombudsman ensures customers get a fair and impartial hearing and are treated with consideration and respect. Certain disputes that remain unresolved after being reviewed by the Ombudsman may be directed to a number of agencies and regulators listed on our website and in our Straight Talk brochures.

Client satisfaction and loyalty
They say what gets measured gets improved. Every year, RBC businesses track client satisfaction and use feedback to make improvements. Client research helped provide direction for new initiatives or improvements in our Canadian retail banking operation, such as:

- Environmentally responsible product options
- A simplified line-up of savings and chequeing accounts with enhanced customer benefits
- A high-interest online savings account
- Business banking packages for small businesses
- More branches opened and more customer-facing staff placed
- Simplified, plain language mortgage renewal options
- A simplified critical illness insurance product and an enhanced critical illness recovery plan that addresses future client needs.

An independent study of Canadians conducted in 2007 by a leading market research firm ranked RBC first among the country’s five major banks for the service we provide clients in branches. The survey by Synovate also gave RBC top honours by ranking it number one in the “value for money” category.
RBC is considered a top employer, with progressive policies, a commitment to diversity and a culture of employee engagement. We provide enriching employee experiences with competitive compensation, flexible benefit programs, training and career development opportunities, and support for work/life effectiveness initiatives.

Priorities
Our priorities include ensuring that we:

- Continue to fulfill our commitment to diversity, inclusion and fairness
- Maintain a strong values-based culture of employee engagement and passion for client success
- Provide an enriching employee experience, including training and career development opportunities and flexible work/life support programs
- Maintain progressive workplace policies.

2007 Performance highlights

- Provided employment to 71,760 people in full- and part-time positions.
- Invested $166 million in formal training and career development initiatives, including direct and indirect expenditures.
- Sponsored employee savings and share ownership programs through which the majority of employees are RBC shareholders.
- Sustained high employee engagement as indicated in our 2007 global opinion survey.

RBC employment worldwide
For the fiscal year ended October 31, 2007

<table>
<thead>
<tr>
<th></th>
<th>Number of employees</th>
<th>Full-time equivalent positions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>54,960</td>
<td>48,837</td>
</tr>
<tr>
<td>United States</td>
<td>12,181</td>
<td>11,663</td>
</tr>
<tr>
<td>International</td>
<td>4,619</td>
<td>4,545</td>
</tr>
<tr>
<td>Total</td>
<td>71,760</td>
<td>65,045</td>
</tr>
</tbody>
</table>

What can someone expect when they work at RBC?
Six principles define what RBC stands for as an employer. They guide our continuing efforts to support the mutual success of our employees, clients and shareholders.

- Passion for client success.
- Partner for mutual success.
- Professional growth.
- Diverse needs and contributions of individuals.
- Excellence in people management.
- High-performance work environment.

Diversity and inclusion

Diversity in our workplace in Canada*

<table>
<thead>
<tr>
<th></th>
<th>1998</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Women</td>
<td>75%</td>
<td>71%</td>
<td>70%</td>
<td>69%</td>
</tr>
<tr>
<td>Women in management</td>
<td>53%</td>
<td>55%</td>
<td>55%</td>
<td>55%</td>
</tr>
<tr>
<td>Visible minorities</td>
<td>12%</td>
<td>23%</td>
<td>24%</td>
<td>25%</td>
</tr>
<tr>
<td>Visible minorities in</td>
<td>13%</td>
<td>20%</td>
<td>21%</td>
<td>24%</td>
</tr>
<tr>
<td>management</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>People with disabilities</td>
<td>2.9%</td>
<td>3.1%</td>
<td>3.2%</td>
<td>3.9%</td>
</tr>
<tr>
<td>Aboriginal Peoples</td>
<td>1.1%</td>
<td>1.6%</td>
<td>1.6%</td>
<td>1.6%</td>
</tr>
</tbody>
</table>

* Figures represent Employment Equity data as of October 31, 2007, for our businesses in Canada that are governed by the Employment Equity Act. Given variations in legal definitions and restrictions in legislation around the world, comprehensive data on these four designated groups is available only in Canada.

Leadership

Strategies and goals are established by the RBC Diversity Leadership Council, which is chaired by our CEO and provides RBC with senior level diversity champions in North America and the United Kingdom. In addition, business units have diversity leadership councils that help advance diversity and inclusion.

RBC promotes diversity by sharing our knowledge, sponsoring research and encouraging discussion of its impact on communities and the economy.

In 2007, RBC sponsored a study by Catalyst Canada and Ryerson University on the career development of visible minorities in corporate Canada. The study highlighted successes, showed that visible minorities are nonetheless less satisfied with their careers, and provided strategies for companies to more fully leverage the talents of these employees.

Training, mentoring and resource groups

RBC develops and supports a diverse workforce through learning, by initiatives like:

- Business Excellence through Diversity: Workshops for employees
- Building Cross-Cultural Competence: A session that helps increase “cultural curiosity,” respect and understanding
- Creating an Inclusive Environment for People with Disabilities: A session for managers to understand potential barriers, and find accommodation resources for clients and employees
- Respectful Workplace program: Helps employees understand and comply with policies to ensure all employees are free from harassment, discrimination and offensive behaviour
We recognize that no two employees have identical needs so our Total Rewards program provides flexibility and choice.

- **RBC Diversity Dialogues**: A reciprocal mentoring program that connects two people with different backgrounds to learn from each other.

Employee resource groups (ERGs) help their members develop through peer mentoring, coaching and networking. Groups formally recognized by RBC receive an annual budget. ERGs currently represent aboriginal employees; lesbian, gay, bisexual and transgendered employees; employees with disabilities; and women financial consultants.

**Programs to support diversity**

We partnered with the Ability Edge program to provide 66 internships for graduates with disabilities, and the Career Bridge program for newcomers to Canada to place 42 professionals in internship positions. Approximately 80 per cent of program interns subsequently join RBC as full-time employees.

We are also committed to increasing the representation of Aboriginal Peoples within our workforce through proactive recruitment.

**Rewards**

**Employee compensation and benefits**

<table>
<thead>
<tr>
<th>Year</th>
<th>Compensation and Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>$7.9 billion</td>
</tr>
<tr>
<td>2006</td>
<td>$7.3 billion</td>
</tr>
<tr>
<td>2005</td>
<td>$6.8 billion</td>
</tr>
</tbody>
</table>

*These figures are provided for RBC’s global operations.

**Compensation, benefits and wealth accumulation programs**

We participate in external surveys to ensure our compensation remains competitive. Our short-term incentive program rewards employees for their contribution to the company’s performance. Employee share ownership plans and retirement savings plans provide long-term savings and wealth accumulation opportunities.

We offer a core package of benefits plus a flexible optional benefits program that gives access to competitive and affordable benefits. Part-time employees are also eligible for benefits coverage.

**Health, wellness and flexibility**

We maintain health and safety committees in all our Canadian jurisdictions. All employees have access to an extensive support program that helps manage all aspects of their work and personal lives, with confidential access to information and counselling.

We provide employees with the opportunity to:

- Work flexible hours or modified work schedules
- Work from home or off-site locations
- Reduce work hours through job sharing
- Buy an additional week of vacation
- Take an unpaid leave for personal reasons such as for education or personal development.

**Training, career development and recruitment**

We provide professional training and development to help employees build successful careers. In 2007, we invested $166 million (direct and indirect expenditures) in formal training programs, including:

- A global online learning system to access training resources and opportunities
- A comprehensive online career management resource kit
- Formal training programs to help new employees be successful. Over 3,800 employees completed the entry training programs for a variety of roles.

Our primary approach is to promote from within RBC, but building for the future also includes recruiting for new talent, and some of our 2007 activities include:

- Visits to over 70 university and college campuses annually
- Internship programs for new graduates
- The Pursue Your Potential™ program, which helps employees with disabilities achieve their career aspirations.

**Engagement**

**People management**

Managers are critical for an engaging work environment and we invest in resources to support them, including:

- 360-degree reviews that provide managers at all levels with feedback for personal development
- Employee opinion survey data so managers can develop key action plans with employees
- Regular communications including a monthly news flash, online webcasts and learning modules.

**Listening, informing and acting**

We have conducted regular employee opinion surveys since 1981 to understand employee views and take action on areas for improvement. RBC continues to score very well compared to other high-performing companies in North America.

Our 2007 survey results showed:

- Strong employee engagement across the organization
- Employees value the rewards of working at RBC
- A belief that we are competitive, easy to deal with, offer high quality products and are responsive to market changes.

We launched new employee information initiatives in 2007, including:

- Quarterly video broadcasts featuring key messages from our CEO
- A newsmagazine to help better understand the businesses of RBC
- Interactive tools for retirement and benefits programs to help employees better understand options and make informed decisions.

**Employee concerns**

Employees with concerns may approach our Employee Ombudsman. This confidential and impartial resource assists employees in managing unresolved workplace conflict.
Environmental sustainability

RBC is committed to a path of environmental sustainability in order to protect our natural environment and our economy for future generations. We believe that this commitment has enhanced our capacity to conduct business and the RBC Environmental Blueprint will allow us to continue delivering short- and long-term benefits for our shareholders, clients, employees and the communities in which we live and conduct business.

Priorities
Our priority areas focus on activities and issues including climate change, biodiversity and water that enable RBC to balance the principles of environmental sustainability with financial performance. Our priority activities are:

• Reducing the intensity of our operational footprint
• Promoting environmentally responsible business activities
• Offering environmental products and services.

2007 Performance highlights
• Launched the RBC Environmental Blueprint.
• Decreased greenhouse gas (GHG) emissions intensity associated with energy consumption by nearly 8 per cent since our 2005 baseline.
• Doubled the number of RBC branches powered by certified “green,” emission-free power avoiding nearly 1,680 tonnes of GHG emissions and air pollution.
• Applied the Equator Principles to six large projects and reviewed nearly 650 transactions where environmental issues were identified as material.
• Provided project finance and advisory services to alternative energy projects that are expected to provide approximately 1.1 gigawatts (GW) of GHG emission-free energy.
• Introduced environmentally friendly product options and incentives for retail clients.

Policy
RBC’s environmental policy was first developed in 1991 and has been periodically updated to reflect our changing environmental priorities and those of our stakeholders. In 2007, our policy was revised to more comprehensively address environmental matters pertaining to our operations, business activities, products and services, employees, compliance, reporting and transparency, and partnerships.

Our revised policy is set out within the RBC Environmental Blueprint. The Blueprint is a clear articulation of our priorities and objectives regarding environmental sustainability and outlines how we will approach new and emerging environmental issues in our operations, business activities and our products and services going forward.

Stakeholder engagement and research
We maintain an open and proactive dialogue with our stakeholders and peers, and regularly undertake independent and co-operative research to identify and better understand emerging issues. This approach continues to provide RBC with valuable insights into the risks and opportunities of environmental issues.

2007 Recognition
• RBC was ranked first globally by Newsweek International online as the company most capable of addressing the risks and opportunities of climate change.
• RBC was named to the global Climate Leadership Index by the Carbon Disclosure Project.

Priority environmental issues
RBC believes that the environmental issues facing our planet are complex, interdependent and growing in number. These issues require ongoing consideration, as they present environmental, social and financial challenges to the global economy and human health, and to our own business and operations. RBC has identified three priority environmental issues: climate change, biodiversity and water.

In 2007 we:
• Signed and responded to the Carbon Disclosure Project, an initiative to gather information relating to the management of the risks and opportunities of climate change from over 2,400 public corporations
• Joined the United Nations Environment Programme Finance Initiative Biodiversity and Ecosystem Working Group to enhance our capacity to manage biodiversity risk
• Launched the RBC Blue Water Project™, a $50 million 10-year philanthropic initiative, to provide funding to initiatives designed to address issues related to freshwater access, conservation and watershed management.
Responsible business activities

At RBC, we work with our clients and the companies we invest in to manage environmental risks proactively and support environmentally responsible business models. Our comprehensive environmental risk management policies and procedures facilitate the environmental review of transactions. We regularly update these policies and procedures to address regulatory changes, emerging and evolving issues, and international best practices.

Reducing our operational footprint

While financial services companies are not considered high-impact environmentally, we do use a large amount of natural resources, which represent a significant environmental footprint. RBC is committed to continuing to reduce the intensity of our energy use, paper consumption, employee travel, water use and procurement activities per employee or per square metre of our premises.

Significant 2007 footprint trends

In 2007, we noted a significant increase in paper use compared to our baseline of 2005. Office paper consumption, which dropped between 2005 and 2006, climbed in 2007 as a result of the introduction of banner pages to print jobs on some printers. Paper use also increased due to an expansion of our direct mail marketing campaigns. We are assessing these practices in an effort to reduce paper consumption and associated GHG emissions.

For 2007, our total accounted direct and indirect GHG emissions were 78,402 metric tonnes. Since our 2005 baseline year, our GHG emissions per employee have increased by nearly 2 per cent. The increase in paper use, as mentioned above, contributed an additional 8,000 metric tonnes of GHG emissions. When the contribution of paper to GHG emissions is removed, our GHG emissions per employee have declined by over 9 per cent since our 2005 baseline.

Products and services

RBC seeks to offer an expanding array of products and services that provide long-term environmental benefits, are clearly distinguishable from comparable non-environmentally focused products, and empower clients with options to reduce their environmental footprint.

In 2007, we:
- Introduced new financial options and incentives for our clients that helped enable them to reduce their footprint
- Became the first major Canadian bank to offer investors the option of socially responsible investing with the launch of the RBC Jantzi Funds, three funds that are screened for environmental, social and governance factors.

Looking ahead

In 2008, some of our goals include:
- Release an environmental policy or policies for RBC Procurement
- Undertake a carbon risk assessment of our lending portfolio
- Examine sector-specific guidelines for transactions
- Continue to expand the amount of “green power” we purchase
- Continue to improve our energy efficiency by expanding various program elements of EnergySmart to help employees enterprise-wide reduce our greenhouse gas emissions
- Continue to transition a greater proportion of our paper supply to more sustainable sources including FSC and post-consumer recycled content
- Appoint members of an expert Advisory Panel for the RBC Blue Water Project, our $50 million 10-year philanthropic initiative that will provide funding to initiatives designed to address issues related to freshwater access, conservation and watershed management.

A summary of our performance on some key environmental indicators like energy and paper consumption, as well as travel and GHG emissions, is provided on page 27 of our Corporate Responsibility Report, available at rbc.com/responsibility.
The RBC Community Blueprint includes building prosperity by contributing to the communities in which we live and work. Our tradition of philanthropy dates back to our roots, with donations on record as far back as 1891. We are now one of Canada’s largest corporate donors. Across North America and around the world, we support a broad range of community initiatives, through donations, sponsorships and employee volunteer activities.

Priorities
Our priorities include ensuring that we:
- Provide donations with a lasting social impact
- Sponsor key community initiatives
- Encourage employees to contribute.

2007 Performance highlights
- Contributed more than $82.8 million to community causes worldwide, through donations of more than $47.7 million, and an additional $35.1 million in sponsorship of community events and national organizations.
- Qualified as an Imagine Canada “Caring Company,” having donated at least 1 per cent of pre-tax profits (measured on a five-year rolling average) to charity.
- Employees and pensioners worldwide contributed countless hours in volunteer activities and funds to not-for-profit groups through payroll deductions, direct giving and special events.
- As part of the RBC Environmental Blueprint, we announced the RBC Blue Water Project, a $50 million philanthropic commitment over 10 years, to start in 2008.

Volunteer activity
Our Employee Volunteer Grants Program supports and encourages community involvement. Employees and pensioners who volunteer a minimum of 40 hours a year to a registered charity are eligible for a $500 grant to the organization in their honour.

For more details and for donations or sponsorship request guidelines, visit rbc.com/community/donations or rbc.com/sponsorship
United Way
RBC is the largest private sector contributor to the United Way in Canada, and one of only 53 organizations that contribute over $1 million annually. Ours is the largest private sector employee giving campaign in Canada, with more than $9 million contributed through payroll deduction, direct giving and employee-driven fundraising events. In 2007, combined employee and corporate contributions reached $12.4 million in Canada and $1.4 million in the U.S., for a grand total of $13.8 million.

Keeping kids in school
Helping kids stay in school is a key area of focus for RBC. In 2007, we invested $2 million with 77 of Canada’s top community-based after-school programs. We have been funding after-school programs since 1999, with more than $14.8 million given through 472 grants to 157 different organizations that have helped more than 14,000 children over the past nine years. We also support organizations like Junior Achievement, dedicated to educating and inspiring young people about business and economics.

In the U.S., we support initiatives like Communities in Schools, the nation’s leading community-based organization helping young people stay in school and prepare for life.

Post-secondary education
In 2007, RBC Foundation® donated more than $4.7 million to support universities and colleges in Canada.

Health and wellness
RBC supports research and programs that help improve community health care and children’s mental health. Canadian recipients include the Janeway Children’s Hospital’s Reaching Out program.

People with disabilities
RBC believes that full inclusion is in the best interests of our communities and our countries. We support programs that help create employability and remove barriers to education for people with disabilities. In 2007, RBC Foundation donated $1.3 million to organizations supporting people with disabilities.

Aboriginal Peoples
RBC Foundation donated over $845,000 to support aboriginal causes in 2007. Since its inception in 1992, the RBC Aboriginal Student Awards Program has provided 69 scholarships totalling $834,000. Eight students received awards in 2007. Award recipients are also considered for summer and post-graduate employment opportunities with RBC.

Arts and culture
Vibrant communities celebrate arts and culture, and RBC supports a wide range of initiatives that contribute to the cultural fabric of our communities. This includes the RBC Canadian Painting Competition, our art collection and support for emerging artists.

Community presence

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Newcomers to Canada
In 2007, RBC Foundation donated more than $375,000 to initiatives dedicated to helping newcomers succeed in Canada.

Amateur sport
RBC supports amateur athletes of all levels, from the community to the Olympic level.

Supporting Canada’s Olympic Team
- RBC is the longest-standing corporate sponsor of the Canadian Olympic Team, since 1947. We are the Premier National Partner in the banking category for the 2010 Olympic and Paralympic Winter Games in Vancouver, BC, which includes sponsorship of the Canadian Olympic Team for all Games from 2006 to 2012. RBC’s total commitment of $110 million includes a cash contribution of more than $70 million as well as provision of banking services, athlete and amateur sport investments, support for the Paralympic Games, First Nations community development programs and marketing support through the RBC network.
- RBC employs current and retired Olympic and Paralympic athletes through the RBC Olympians Program, offering flexible work arrangements so that athletes can make time for training and competition.
- RBC is an official sponsor of the Canadian Snowboard Federation and the Canadian Freestyle Ski Association.

Special Olympics
As a founding sponsor of Special Olympics Canada, RBC helps provide sport training and competitive opportunities for 31,000 Canadian athletes with an intellectual disability. RBC employees volunteer their time as coaches and fundraisers while the RBC-supported Sport Celebrities Festival raises more than $1 million annually.

Hockey
RBC has been a long-standing supporter of amateur hockey. We have been a Premier Sponsor of Hockey Canada since 1995. Our RBC Local Hockey Leaders® program recognizes “behind the scenes” volunteers who support hockey in their community. RBC supports the post-secondary education of players from each of the regional leagues of Canada’s Junior A Hockey League. We also sponsor amateur hockey clubs around the world.

Environment
Water shortage is one of the most critical global issues we will face in the coming years. That’s why we created the RBC Blue Water Project in 2007, a historic 10-year, $50 million commitment to support charitable organizations dedicated to finding global solutions to the water crisis, with donations starting in 2008. Our first donation under the RBC Blue Water Project was a $10 million commitment over 10 years to support the ONE DROP Foundation, the largest single donation we’ve ever given. For information, visit rbc.com/bluewater.
Economic impact

Companies both large and small can help shape the economies of the communities and countries in which they do business simply through their day-to-day business decisions and actions. We aim to have a positive economic impact by providing attractive returns to shareholders, creating employment, supporting small business and economic development, fostering innovation and entrepreneurship, and purchasing responsibly.

Priorities

Our priorities include ensuring that we:

- Provide strong returns to shareholders
- Pay fair share of taxes
- Create employment
- Support small business and community economic development
- Foster innovation and entrepreneurship
- Purchase goods and services responsibly.

2007 Performance highlights

- Incurred taxes of $2.09 billion worldwide.
- Provided employment to 71,760 people, with $7.9 billion in employee compensation and benefits.
- Served more than half a million small business clients in Canada, the United States and the Caribbean.
- Remained the market leader for women entrepreneurs in Canada, with a 19 per cent market share.
- Purchased goods and services totalling $4.4 billion from suppliers of all sizes worldwide.
- Contributed $82.8 million to community causes worldwide.

For more details, visit rbc.com/responsibility/economic

Governance and ethics

At RBC, we believe that our first duty is to operate with integrity so that we can fulfill our responsibilities to all our stakeholders. We also believe that sound corporate governance is an essential element in maintaining our clients’ trust and our investors’ confidence, and is fundamental to enhancing shareholder value.

Priorities

Our priorities in this area include ensuring we:

- Demonstrate sound corporate governance principles
- Provide clear disclosure of financial results, and disclose reliable performance data on key non-financial items
- Comply with all applicable laws and regulations in every country in which we operate
- Conduct business with honesty and integrity.

High standards of corporate governance

Our approach to corporate governance goes beyond regulatory compliance. To maintain our high standards, we continuously review and assess our corporate governance system, anticipating and adopting best practices as they evolve. For more information on corporate governance and disclosure, visit rbc.com/governance.

Code of Conduct

All RBC employees worldwide are governed by our Code of Conduct, which was first established more than 20 years ago. The Code is reviewed regularly and was updated in 2007, with clarification of our process for approving and disclosing waivers, increased confidentiality protection provisions, additional guidelines for conflicts of interest and updated standards for maintaining respectful workplaces. All employees are required to take a web-based learning program so that they know and understand the Code’s principles and compliance elements. The program includes an online course and a test, which all employees must complete within 30 days of joining RBC and at least once every two years thereafter. The company’s most senior officers and select others must complete the program annually.

Policies

RBC has enterprise-wide compliance policies and processes to support the assessment and management of risks, including policies to address issues such as economic sanctions, lending to political parties, money laundering, terrorism financing and conflicts of interest, to name a few. Policies and controls are reviewed regularly to ensure continued effectiveness and alignment with relevant laws and regulations. Our controls ensure we properly identify our clients and protect against the illegal use of our products and services.

For more information, visit rbc.com/responsibility/governance
Vital statistics

Our vision
Always earning the right to be our clients’ first choice

Our values
• Excellent service to clients and each other.
• Working together to succeed.
• Personal responsibility for high performance.
• Diversity for growth and innovation.
• Trust through integrity in everything we do.

Our business
• Royal Bank of Canada (RY on TSX and NYSE) and its subsidiaries operate under the master brand name of RBC.
• We are Canada’s largest bank as measured by assets and market capitalization and one of North America’s leading diversified financial services companies.
• We provide personal and commercial banking, wealth management services, insurance, corporate and investment banking and transaction processing services on a global basis.
• Our Global Technology and Operations and Global Functions teams enable business growth with expert professional advice and state-of-the-art processes and technology.
• We employ more than 70,000 full- and part-time employees who serve more than 15 million personal, business, public sector and institutional clients in 38 countries around the world.

In Canada
• We have strong market positions in all of our businesses.
• In personal and business banking, we rank first or second in most personal banking products.
• In wealth management, we have the leading full service brokerage operation, we are one of Canada’s largest money managers and we are the second-largest self-directed broker based on assets under administration.
• We are the largest Canadian bank-owned insurer, one of the top 10 Canadian insurance producers, and a leader in creditor, individual disability and travel insurance.
• In corporate and investment banking, we continue to be a top-ranked securities underwriter and the leading mergers and acquisitions advisor.
• We have the largest retail banking network in Canada, with 1,146 branches and 3,946 banking machines. In addition, we have more than 75 private bankers and 1,700 sales specialists.

In the United States
• We provide personal and commercial banking, insurance, wealth management, and corporate and investment banking services.
• We have a network of 350 branches and 395 banking machines.

Internationally
• We have a banking network in the Caribbean and a significant presence in select markets. We offer investment banking, trading, correspondent banking and reinsurance to corporate, institutional, public sector and business clients. We also offer private banking and wealth management services for high net worth individuals and corporate and institutional clients.

Our people
• 71,760 people employed in full- and part-time positions.
• 65,045 full-time equivalent positions.
• $166 million invested in formal employee training, including direct and indirect expenditures.
• A majority of eligible employees own our shares through employee savings and share ownership plans.

Our clients
• More than 15 million personal, business, public sector and institutional clients.
• More than half a million small business clients in Canada, the United States and the Caribbean.

Our economic impact
• $7.9 billion paid in employee compensation and benefits.
• $2.09 billion in taxes.
• $4.4 billion spent on goods and services from suppliers of all sizes.

Our community investments
• More than $82.8 million invested in community causes worldwide, through donations of more than $47.7 million, and an additional $35.1 million in sponsorship of community events and national organizations.
• Our employees devote countless hours to charitable causes in their communities.

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